



NEWS RELEASE

LISHEEN MINE OUTPUT WILL BE EXPORTED THROUGH PORT OF CORK £4 MILLION HANDLING FACILITY TO BE CONSTRUCTED AT PORT

27 October 1998...The Company is pleased to present the Interim Report for Ivernia West plc for the half-year ended 30 June 1998. During the period substantial progress has been made on the development and construction of the Lisheen Mine. In addition, exploration activities have continued on all of our prospecting licence areas.

Lisheen Mine Project

Lisheen Mine Project expenditures in the six months to 30 June amounted to US\$37 million (IR£26 million), which were funded wholly by cash drawdowns by Ivernia and Minorco under the US\$173 million term loan facility for the Project. Total Lisheen Project expenditures by Ivernia and Minorco since Project commencement in November 1994 to end June 1998 amount to US\$90 million (IR£60 million).

The initial civil works, site roads, infrastructure and the permanent magazine were completed during the period while work on the tailings management facility was over 60% complete at end June. Rapid progress was made during the early stages of construction of the main decline, which provides access to the orebody, arising from good ground conditions which put the programme over 10 weeks ahead of schedule.

At end June the decline had been advanced to 703 metres at a depth of 105 metres while the fresh airshaft was sunk and concrete lined to 51 metres. In recent months, however, difficult ground conditions and an unexpected water feature, which crosses the path of the decline, have significantly slowed the rate of advance.

An appropriate pumping and engineering programme to deal with the water feature has been implemented and is expected to overcome this difficulty in the near future. Directional drilling indicates that good quality rock is present ahead of the softer ground conditions and the water feature.

To date the decline has been advanced to 750 metres while the fresh airshaft has been concrete lined to 205 metres. The tailings management facility construction and lining have been completed. Foundations have been laid for most of the surface plant facilities and the erection of the structural steel frames for the process plant building and warehouse have been completed.

The Lisheen partners, main contractors and sub-contractors currently employ over 360 people on site. I am pleased to report that all environmental health and safety regulations have been complied with.

A final decision is imminent in relation to the port of shipment for concentrates. The ports of Cork, Waterford (Belview) and Foynes, all of whom have obtained outline planning permissions, are receiving active consideration.

Exploration Activities

During the period the Ivernia / Minorco joint venture conducted extensive exploration both within and outside the Lisheen mining lease area. In the Rathdowney north and south licence blocks a number of

anomalies have been identified, following an airborne geophysical survey. These anomalies will be drill tested by the end of this year.

Rio Algom completed its 50% earn-in on Ivernia's licence blocks in the central midlands during August with most of the exploration for the period being carried out in the Ballinasloe and Portumna licence areas.

The Board has decided not to participate in the next phase of the exploration programme with Rio Algom. Accordingly Rio can earn a further 20% interest in these licence blocks for an additional expenditure of US\$2.5 million.

An initial drilling programme was carried out during the period on Ivernia's 250 sq. km. Clogher Valley licence block in Co. Tyrone. Work to end June has included data review and compilation, prospecting, mapping and the completion of six diamond drillholes. Narrow intervals of disseminated zinc mineralisation have been discovered and significant intervals of gypsum and anhydrite have been drilled. Assay results show that at least one of the gypsum intersections is of economic width and grade.

In September, Ivernia agreed with Celtic Resources Holdings plc to the re-negotiation of the terms of acquisition of Celtic's Ballinalack zinc/lead deposit and associated prospecting licences in Co. Westmeath. Ivernia can purchase for cash, Oliver Minerals Ltd, the wholly owned subsidiary of Celtic Resources, which holds the Ballinalack licences. This agreement, which is currently being finalised, is subject to the approval of the Minister for the Marine and Natural Resources.

In relation to international exploration developments, Ivernia has signed heads of agreement with Savage Resources Ltd, a major Australian mining and smelting company, whereby Ivernia can earn a 60% interest in Savage Resources' base metal licences in Western Kentucky, USA, by spending US\$3 million on exploration on these licences over a four-year period. A small number of zinc fluorspar deposits are already outlined on these licences. An ore-processing mill can also be acquired under the agreement with Savage.

Financial Information

The Group Operating Statement for the half year to 30 June 1998 shows net expenditures of IR£12.4 million, which mainly represent Ivernia's 50% share of the construction expenditures in the Lisheen Mine Project. The credit of IR£0.35 million to deferred expenditure arises mainly from the excess of interest income over general and administration expenses.

The Group Balance Sheet at 30 June 1998 shows fixed assets of IR£44.9 million and net current assets of IR£21.3 million (including cash of IR£21.5 million), which were funded by shareholders' funds of IR£50.4 million and long term project borrowings of IR£15.8 million.

Fixed assets principally relate to the Group's interest in the Lisheen Mine Project. Ivernia's 50% share of Lisheen Project expenditures and working capital for the six months to end June have been funded wholly by cash drawdowns of US\$22 million (IR£15.8 million) under Ivernia's \$86.5 million term loan facility. Cash drawdowns from the loan facility only, will continue until December when equity drawdowns will recommence.

In August, a five-year interest rate swap for US\$17 million with an additional two-year bank option to renew was put in place at an interest rate which is lower than the project budget rate. Forward sales contracts, amounting to US\$38.75 million to hedge in Irish pounds future US dollar drawdowns under the Ivernia loan facility, remained outstanding at 30 June 1998.

The 1998 interim financial statements and the comparative figures reflect the implementation of the new financial reporting standard *FRS 9 - Associates and Joint Ventures*.

The directors consider that a joint venture structure is the most appropriate presentation of Ivernia's 50% long-term participating interest in the Lisheen Mine Project, in which it actively shares control with its partner Minorco.

The 1998 interim statements and comparatives also reflect a change in the Group's accounting policy for foreign currency translation as applied to the Lisheen Mine Project, where the Group's interest is now denominated in US dollars rather than in Irish pounds as in prior periods. The directors consider that this change will result in a fairer presentation of the financial position and results of the Group.

Conclusion

In conclusion, significant progress has been made and continues to be made in the construction of the Lisheen Mine, which, despite recent difficulties is scheduled to be in production in the last quarter of 1999. The market outlook for zinc demand and prices is positive. The Lisheen Mine will be a world-class, low-cost producer of high quality zinc concentrates and will be profitable even at the current low levels of zinc prices. Ivernia's share price, like the share prices of other companies in the mining and exploration sector, has been adversely affected by the fall in base metal prices and the overall lack of interest in the sector. At its current low share price Ivernia offers an unique opportunity for investors wishing to participate over the long term in the zinc market.

Clayton Love Jnr.,
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